

Washington State Auditor's Office

Audit Report

City of Gig Harbor Pierce County

Audit Period
January 1, 1998 through December 31, 1998

Report No. 60917

Issue Date
January 7, 2000



Washington _____
State Auditor

Brian Sonntag

Audit Summary

**City of Gig Harbor
Pierce County
January 1, 1998 through December 31, 1998**

ABOUT THE AUDIT

This report contains the results of our annual independent audit of the City of Gig Harbor for the period January 1, 1998, through December 31, 1998.

We performed audit procedures to determine whether the City complied with state laws and regulations and its own policies and procedures. We also audited the general purpose financial statements and evaluated internal controls established by City management. Our work focused on specific areas that have potential for abuse and misuse of public resources.

RESULTS

In the areas we examined, the City complied with state laws and regulations and its own policies and procedures.

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Pierce County
January 1, 1998 through December 31, 1998**

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Description of the City

City of Gig Harbor Pierce County January 1, 1998 through December 31, 1998

ABOUT THE CITY

The City of Gig Harbor was incorporated in 1946 and has a Mayor-Council form of government. There are seven elected Council Members and an independently elected Mayor, each of which serves a four-year term.

The City serves approximately 6,400 citizens in Pierce County. The City operates on an \$18 million annual budget. Its 54 full-time employees provide an array of services including water, sewer and storm drainage, solid waste, police, Municipal Court, street maintenance, parks and recreation, community service programs, and planning and economic development. The City contracts for fire protection, jail and health services.

ELECTED OFFICIALS

These officials served during the audit period:

Mayor	Gretchen A. Wilbert
Council Members:	Bob Dick
	Steven Ekberg
	Nick Markovich
	Marilyn Owel
	John Picinich
	Corbett Platt
	Derek Young

APPOINTED OFFICIALS

City Administrator	Mark Hoppen
Finance Director	Dave Rodenbach
City Attorney	Carol Morris

ADDRESS

City	3105 Judson Street Gig Harbor, WA 98335 (253) 851-8563
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Audit Areas Examined

City of Gig Harbor Pierce County January 1, 1998 through December 31, 1998

In keeping with general auditing practices, we do not examine every portion of the City's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years.

We did not audit how the City is addressing year 2000 issues relating to its computer systems and other electronic equipment. The year 2000 issue refers to the fact that many computer systems and electronic equipment cannot recognize the difference between the years 1900 and 2000. Because of the unprecedented nature of the year 2000 issue, its effects will not be determinable until the year 2000 and thereafter. Accordingly, we do not provide assurance that the City is or will be year 2000 ready.

The following areas of the City were examined during this audit period:

LEGAL COMPLIANCE

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Local cash receipts systems (Financial Services Department, Building Department and Municipal Court)
- Officials and conflict of interest
- Open Public Meetings Act
- Safeguarding assets
- Expenditures
- Public records
- Payroll
- Bid law compliance
- Budget compliance
- Insurance coverage
- Debt limitation
- Journal vouchers
- Interfund transfers and loans
- Investments

INTERNAL CONTROL

We evaluated the following areas of the City's internal control structure:

- Accounts payable
- Property and equipment
- Payroll
- Disbursements
- Petty cash
- Court account adjustments
- Cash receipting (Financial Services Department, Building Department and Municipal Court)
- Billings and receivables (Financial Services Department and Municipal Court)

FINANCIAL AREAS

In addition to the financial-related work listed in other categories, we audited the following areas:

- Taxes receivable
- Plant, property and equipment
- Cash and investments
- Revenues for all funds
- Accounts payable
- Other current liabilities
- Long-term debt
- Expenditures for all funds
- Checks outstanding
- Interfund transfers and loans
- Overall presentation of the financial statements and related notes
- Receivables (Financial Services Department and Municipal Court)

Audit Overview

**City of Gig Harbor
Pierce County
January 1, 1998 through December 31, 1998**

AUDIT HISTORY

We audit the City of Gig Harbor annually. The City has not had an audit finding in the last six years and there were no findings during the current 1998 audit.

We believe this reflects the City's commitment to maintain a strong financial system with sufficient internal controls.

CONCLUSIONS

In the areas examined, we found the City complied with state laws and regulations and its own policies. We also found the City's financial statements were accurate and complete.

During our audit we spent a significant amount of time looking at Municipal Court and utility billing and receipting systems as well as disbursements. We found the City had established a strong accounting system for accurately recording this type of data.

We appreciate the City's continuing efforts to maintain a strong accounting system. We thank City officials and personnel for their assistance and cooperation during the audit.

Independent Auditor's Report on Compliance with State Laws and Regulations

**City of Gig Harbor
Pierce County
January 1, 1998 through December 31, 1998**

Mayor
City of Gig Harbor
Gig Harbor, Washington

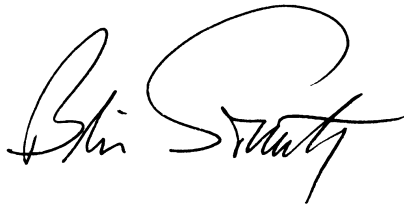
We have audited the general purpose financial statements of the City of Gig Harbor, Pierce County, Washington, as of and for the year ended December 31, 1998, and have issued our report thereon dated November 3, 1999.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the City complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the City's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the City and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the City complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the Mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



BRIAN SONNTAG, CGFM
STATE AUDITOR

November 3, 1999

Independent Auditor's Report on Financial Statements

City of Gig Harbor Pierce County January 1, 1998 through December 31, 1998

Mayor
City of Gig Harbor
Gig Harbor, Washington

We have audited the accompanying general purpose financial statements of the City of Gig Harbor, Pierce County, Washington, as of and for the year ended December 31, 1998. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

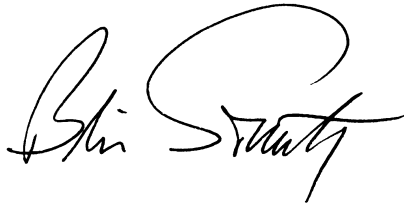
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Gig Harbor, as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended, in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Federal Financial Assistance and Schedule of State and Local Financial Assistance are presented for purposes of additional analysis. These schedules are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

The Year 2000 supplementary information on page 33 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide

assurance that the City is or will become year 2000 compliant, that the City's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business are or will become year 2000 compliant.

A handwritten signature in black ink, appearing to read "Brian Sonntag", written in a cursive style.

BRIAN SONNTAG, CGFM
STATE AUDITOR

November 3, 1999

General Purpose Financial Statements

**City of Gig Harbor
Pierce County
January 1, 1998 through December 31, 1998**

GENERAL PURPOSE FINANCIAL STATEMENTS

Combined Balance Sheet – All Fund Types and Account Groups – 1998
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All
 Governmental Fund Types and Expendable Trust Fund Type – 1998
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and
 Actual – General, Special Revenue and Debt Service Funds – 1998
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances
 – All Proprietary Fund Types and Similar Trust Funds – 1998
Statement of Cash Flows – Enterprise Funds – 1998
Notes to the Financial Statements – 1998

SUPPLEMENTARY INFORMATION

Required Supplementary Information – Year 2000 Compliance Status

ADDITIONAL INFORMATION

Schedule of State and Local Financial Assistance – 1998
Schedule of Federal Financial Assistance – 1998